Challenges and Resilience: Managers' perceptions of firm performance following M&As

Abstract

We study M&As, resilience and performance, identifying links between managers' perceptions of performance and resilience, using trans-national organisational-level survey evidence (N=3613) and follow up semi-structured in-depth interviews with managers involved in M&As and demerger. Drawing on the resilience and M&A literature, we identify reasons why employees in acquired firms may be less resilient in coping with the resultant changes than those of the acquirer and why this will negatively impact perceptions of performance. We explore the causes and consequences of variations in resilience and performance within firms that acquire others, and in those that have been demerged. As anticipated, we find that although managers in acquired firms tended to report worse performance than those in acquiring firms, both tended to be more positive than firms that had not taken part in an M&A at all. We draw out implications for theory and practice.

Key words: resilience; firm performance; management perceptions; mergers and acquisitions; behavioural organizational psychology.

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1 Introduction

We explore variations in managers' perceptions of M&A and demerger processes, relating them to resilience, thereby addressing a significant gap in the literature. M&A situations, we argue, amount to shocks which require resilience from managers and employees if they are to be coped with and organisations are to benefit from them. The nature of the shocks may be asymmetrical between the organisations involved. Almost all M&As are unequal affairs, with employees in the target firm being more likely to be subject to radical changes in organizational culture and staffing (Cartwright and Cooper, 1990). Employees in target firms will face stronger challenges to their resilience and thus likely appear to cope less well with the merger, leading to sub-optimal organizational performance (Weber and Tarba, 2010; Carmeli et al. 2013; Bernile et al., 2012; Cartwright and Schoenberg, 2006). However, the larger merged entity may create economies of scale, greater resources and capabilities, generating converse effects (Brewster et al. 2006; Bernile et al. 2012). Our study therefore explores variations in the perceptions of employees' resilience engaged in M&As, as well as variations in managers' perceptions of organizational performance according to whether firms have been subject to an M&A or not, whether they are the acquirer or the acquired, or have been demerged. We draw out implications for theory and practice.

The literature suggests that the relative success of M&As reflects material, personal and interpersonal issues (Weber and Tarba, 2010; Vasilaki et al., 2016). O'Reilly and Main (2010) argue that decision-making reflects both economic and psychological dimensions and that they are closely linked (c.f. Shleifer, 2012). In other words, the relative outcomes of M&As reflect not only economic and material factors, but also the responses of individuals

(Vuong et al., 2014; Sarala et al., 2016; Vasilaki et al., 2016). Therefore, rather than seeking to explain the objective variation in M&A performance, the focus of much prior literature, we investigate the impact of M&As and demergers on managers' perceptions of organizational performance, linking that to individual level resilience. Very little existing literature exists in this area. Yet, given the salience of M&As in corporate life, and the centrality of management perceptions to organisations, we suggest that the issue addressed is important. Organisational resilience has recently been identified as a hard-to-measure quality (Des Jardine et al., 2017) and managers' perceptions assume particular significance in this context since if objective data are hard to obtain, then perceptions become a more important source of information than otherwise. Furthermore, we integrate and explore the impact of M&As from employees' perspective and argue that hope, resilience and optimism, at the individual level, constitute mechanisms through which perceptions of firm performance are enhanced.

Our contribution lies in the important area of managerial perceptions of success and failure, which is interesting in resilience terms. Resilience can be seen as a precondition of success and, in turn, success is an indicator of resilience (Hamel and Välikangas, 2003; Sutcliffe and Vogus, 2003). Here, we adopt a multi-level approach and suggest that through shaping employees' perceptions of hope, resilience and optimism, perceptions of organizational resilience and thus firm performance are influenced and moulded. 'Success' is a tractable, multi-facetted concept and employees' organisational identification and behaviours will be strongly influenced by how matters are presented by their managers (Smidts et al, 2001). Positive accounts will also stimulate positive employee perceptions of their company's external prestige, and employee organisational identification will be raised thereby (Gittel et al., 2006; Smidts et al., 2001). Such managerial accounts of performance will also likely stimulate hope among employees, another factor associated with resilience;

both hope and resilience are in turn associated with a range of positive employee behaviours in organisational terms (Van Dam et al., 2008; Youssef and Luthans, 2007). Whether managers give such accounts or not is therefore germane to the issue of adaptive processes promoting organisational resilience, since managerial accounts may affect employee attitudes and behaviours. Thus, in sum, the M&A context is a very suitable backdrop to explore the outcomes from the adaptive processes promoting first a) individual level resilience and then b) organisational resilience which ultimately leads to perceptions of improved firm performance. We utilise a multi-method study (panel data and qualitative interviews) to explore our research questions.

The paper is structured as follows. The next section summarises the relevant literature, identifies pertinent debate within it and generates hypotheses. We then set out the quantitative research methods, describe the data used, and present our estimation results and robustness analyses. We then present supportive post-hoc qualitative analyses. We conclude by summarising theoretic and practical implications.

2 Existing Evidence and Hypotheses

In this section, a range of different prior approaches to our overall subject are discussed, and hypotheses derived from them. In general, while the literature permits theoretical speculation concerning possible perceptions of managers in M&A situations, its empirical base is limited, and our hypotheses derived from it may be tested across a large international database. Figure I depicts our conceptual model.

[Insert Figure I here]

Conceptualization: Organizational Resilience

In the context of uncertain work environments and intense competition, organizations confront crises that have the potential to prevent or even end their functioning. These crises can be due to local incidents, however they can also be due to broader dynamics including trends such as globalization, discontinuous shifts in technology or the increasing incidence of natural and man-made disasters (Norris et al., 2008). M&As and demergers are events relevant to organizational resilience (Yilmaz-Börekçi et al., 2014). Some organizations successfully address these unique challenges and adapt to their new environments while others eventually fail (Sutcliffe and Vogus, 2003).

We define organizational resilience as encompassing capture and governance strategies of an organization in the face of adversity (Carmeli and Markman, 2011). While capture responses lead to survival, adaptive and transformative responses serve to maintain the sustainability of a resilient organization (Sanchez, 1995). Our definition of organisational resilience builds on and extends individual resilience: The latter refers to employees' ability to redevelop themselves, a capability associated with continual learning and adaptability (Hamel and Välikangas, 2003; Kuntz et al., 2017). Accordingly, individual resilience is best captured by resource building and coping abilities such as hope, optimism and enhanced well-being (Carmeli and Markman, 2011; Gittel et al., 2006) and is considered a trigger for organisational resilience (Kuntz et al., 2016).

Mergers and Acquisitions: Evidence of Resilience

M&As may broaden the firm's knowledge base, facilitating the sharing of ideas, technologies and processes, optimising performance outcomes (Aklamanu et al. 2016; Gomes et al., 2013). However, Carmeli and Markman (2011) argue that when combined, capture (expansion) and governance (assimilation and retention) strategies nurture and sustain organizational resilience. This would suggest that managers of firms that engage in M&As capitalize on and maintain their core competencies while also leveraging on and integrating the competencies of the acquired firm, corresponding to the intersection of the governance and capture strategy of Carmeli and Markman's model (2011). The practical implication of adopting and implementing capture /governance simultaneously is that managers might be better equipped to ensure the resilience of the core organization and optimise its performance while also facilitating the acquired firm to be integrated successfully (Gomes et al., 2013). If successful capture and governance strategies optimise resilience, then, in turn, better psychological well-being, associated with resilience, may optimise performance (Carmeli et al., 2009; Fredrickson, 2001). Tuckey and Hayward (2011) found, in a different but related context, that resilience was bound up with job resources: if post M&A firms are likely to have a greater – and a richer mix – of job resources, then firm resilience will be greater. Within acquiring organizations, inducements to make a success of things will be higher. In turn, this will lead to higher levels of behavioural and creative support for change, optimising outcomes (Gittell et al., 2006; Shin et al., 2012). Further, it is likely that managers in acquiring organisations will hope for successful M&A outcomes. Hope has been shown to be strongly related to resilience and other positive organisational behaviours (Ortiz de Mandojana and Bansal, 2016; Youssef and Luthans, 2007). Thus, although prior research suggests the possibility of positive overall assessments of gains to merging organisations, literature does not permit empirically grounded certainty relative to those not involved in M&As. We therefore hypothesise:

H1*: Managers' perceptions of firm performance will be better in firms involved in M&As compared with those managers in firms not involved in such activity.*

Mergers and Acquisitions: Relative Power and Resilience

As indicated above, some literature emphasises that asymmetrical benefits accrue to the two firms involved in M&As. A major reason why M&As fail is because employees do not identify with the consolidated organization and the degree to which they do so will reflect the pre-M&A status of firms relative to each other (Lipponen et al., 2017). Within the acquired firm, a sense of independent identity and relative status is diluted, whereas in the acquirer firm it is enhanced (Papadakis and Thanos, 2010). Bellou (2006) finds that employee perceptions of their commitments towards the firm change after a M&A: this will reflect the organizational capacity to cope with changes. Those with greater confidence in the changes appear more resilient, and ultimately cope better (Meglio and Risberg, 2011). Although it should be acknowledged that being part of a much larger and better resourced entity may lead to greater optimism and performance, employees in the target firms often experience feelings of alienation during integration, lament the loss of co-workers and their role importance, and may no longer obtain the benefits they once received from their former company (Buono and Bowditch, 1989; Seo and Hill, 2005). Within acquired firms, it is likely that changes will take place in the managerial team. This will challenge existing relational connections and undermine both resilience and adaptive capabilities (Carmeli et al., 2013). In sum, M&As are often anxiety-provoking and stressful experiences for employees within target firms (Marks and Mirvis, 1992).

It can be argued that employees in the more powerful side in a M&A will appear more resilient in the face of the challenges and be more optimistic as to its potential (Carmeli et al. 2013). Carmeli and Gittell (2009) suggest that shared goals and knowledge, as well as mutual respect, help nurture psychological safety, and hence, facilitate the ability to learn from failure and optimize opportunities. In contrast, restructuring driven from without, such as by an acquiring firm, may have negative effects not only on security and wellbeing, but also in terms of performance and how it is perceived (Probst, 2003; Zollo and Meier, 2008). Kossek and Perrigino (2016) argue that resilience is about the ability to 'shake off' and overcome setbacks (c.f. Williams and Shepherd, 2016). Given that contextual demands will be lower in acquiring, rather than acquired firms, managers in the former are better equipped to cope with challenges, and hence, have more reason to be optimistic about the firm's circumstances (c.f. Vanhove et al., 2016). Liu et al. (2013) found that the effects of trait emotional intelligence on satisfaction were mediated by resilience: if some individuals are better equipped by circumstances to cope with change than others, then they will be likely to be more optimistic, affecting both their relative performance and how they perceive its effects (Linnenluecke, 2017). Managers in acquired firms will have less freedom to express their concerns. Hence, it may be argued that they will have weaker emotional carrying capacity, and lower levels of resilience (Stephens et al., 2013). Finally, if an acquisition leads to downsizing, then this will generate greater pessimism as to future growth prospects. In turn, this will result in reduced job and organizational satisfaction, with knock-on effects for performance (Paustian-Underdahl et al., 2017). As Ahammad et al. (2016) note, a reduction in staffing – which is more likely to take place in acquired than acquiring firms – will negatively impact post-merger performance. As with H1, although theoretically derived grounds exist for relative positivity in acquiring firms, there remains some empirical uncertainty considering mixed findings. We therefore propose:

***H2**: Managers in acquiring organisations will perceive better performance compared with managers in acquired firms.*

Demergers

Demergers represent a rather different situation from M&As, and less attention has been paid to them in the literature. Porter (1987: 47) partially explains this when he suggests: 'The underlying assumption is that a company will generally not divest or close down a successful business except in comparatively few special cases.' Consequently, divestment shows managements' dissatisfaction with post-merger performance (Montgomery and Wilson, 1986; Ravenscraft and Scherer, 1987) and hence managers' perceptions of performance in firms that have demerged will be worse than those of managers in firms that have not. Recent evidence suggests that organizations subject to demerger tend to be very much worse off (Guthrie and Datta, 2008; c.f. Crook et al., 2011). A demerger may result in the rapid loss of any identification with the firm which may have been built up following the M&A process (c.f. Larkin et al. 2012). Shepherd et al. (2009) note that whilst it may seem that speedy action enables firms to cope better with existential challenges, as managers are less likely to experience the kind of anticipatory grief that comes with sustained crisis, they will experience a greater emotional shock as a result of radical changes in structure and ownership, and hence, be less capable of promoting subsequent entrepreneurial activities. It may be argued that if the success of an integration process positively impacts on behaviour and performance (Pickering, 2017; Gomes et al., 2013), the opposite will have converse effects. Employees will no longer feel so valued by the organization, this will make them less committed, and more pessimistic about its prospects. If successful M&As are about securing synergies (Tarba et al., 2017; Gomes et al., 2013), then a demerger will disrupt existing developed modes of working, with negative consequences for organizational performance. Finally, larger organizations may reap bureaucratic economies of scale, allowing leaner administrative staffing (Brewster et al., 2006). Conversely, demergers may undo some scale economies, necessitating a proportionately bigger administrative body, imposing greater costs. Hence:

H3: *Managers in firms that have been involved in a demerger will perceive worse performance compared with managers in firms that have not been involved in a demerger.*

In order to systematically present the study's strategy for testing our three hypotheses, we present the structure of all categories of firm activities in M&A contexts in Chart I.

[Insert Chart I here]

3 Quantitative Analyses

Overview of Research Strategies

Financial and economic research examining post-M&A performance has tended to employ the 'objective' measures of share price performance (e.g., Markides and Oyon, 1998; Sudarsanam and Mahate, 2006) and accounting performance (e.g., Lu, 2004; Zollo and Singh, 2004). Share price performance is usually measured using event-study methodology, within short or long-run windows. Statutory accounting returns are used to measure accounting performance, for at least one-year post-acquisition. This involves several methodological problems and issues with using accounting information (issues summarized in Tuch and O'Sullivan, 2007).

In contrast, organisational behaviour and strategic management scholars often adopt subjective measures based on managers' assessments of outcomes (e.g., Angwin, 2004; Homburg and Bucerius, 2006). Researchers from strategic management, HRM and organisational behaviour have also employed managers' subjective assessments of performance more broadly (Bjorkman and Budhwar, 2007; Glaister and Buckley, 1998; Razouk, 2011). This has been motivated by the problems of obtaining genuinely objective measures of performance, issues about respondents' ability to provide information on both financial and non-financial measures (thus capturing multidimensional performance effects) and because managers react at least partially based on their subjective perceptions of success (Papadakis and Thanos, 2010). Therefore, some argue for using perceptual data from managers (Nikandrou and Papalexandris, 2007). This paper adopts this stance. In one of the few prior studies using multiple performance criteria, Schoenberg (2006) found no correlation between objective and subjective measures of M&A performance. However, other research exploring the differences between management perceptions and company data has found that the two are broadly similar (Dess and Robinson, 1987; Tzafrir, 2005). Given the discussion in the previous section we are interested explicitly in the managers' perceptions as a moderator of performance and a reflection of organizational resilience to test our derived hypotheses.

Data and Variables

The data employed in our empirical analysis are extracted from CRANET's 2004 round, part of an international survey of company-level HRM policies and practices carried out at regular intervals since 1989. The researchers mailed English-language or translated questionnaires to a representative of companies' senior management in nationally representative samples of companies employing more than 100 people. The unit of analysis is therefore the company. The most senior manager responsible for HR in each firm is asked a comprehensive set of questions about the firm, its HRM practices, and aspects of the firm's performance. Performance is measured by a range of indicators (service quality, profitability, stock market performance, rate of innovation, all estimated by the respondent in relation to relevant competitors in the sector, plus current gross revenue in the company in relation to historic costs). Therefore, both company performance in relation to competitors and also in company historic terms are measured.

Senior managers are well-equipped to gauge the consequences of M&A and demerger. To discourage speculative answers, respondents were asked to leave any questions for which they did not know the answer blank (Parry et al., 2013: 4). Potential comparability issues were overcome by intensive collaboration between business schools situated in the relevant countries and back-translation of questionnaires for checking (the method is extensively set out in Brewster et al., 1996; and in Parry et al., 2013). While response rates are low (generally 12-25%) Brewster et al. (1994) show that the approach provides proportionate sector and industry representation, arguing that the survey's statistical representativeness at sector and country levels is satisfactory. These are in any case the best firm-level international data available for our subject.

Common method variance (CMV) bias potentially poses a problem and to prevent this we have taken *ex ante* and *ex post* measures (Chang et al., 2010; Conway and Lance, 2010; Podsakoff et al., 2003). First, *ex ante* the respondent managers were not directly responsible for the strategic decisions relating to the M&As, i.e., the respondents were not likely to be biased in favour of the M&A strategy. In the CRANET questionnaire, the performance measures represent a mixture of objective and judgement-based responses but the information on the M&A event is purely fact-based. In effect, this amounts to triangulation of major variables. Importantly, the questions relating to perceptions of firm performance were posed before those relating to M&As, thereby avoiding item priming effects. There is a mixture of measurement scale types including binary (dummy) variables and multiple-level Likert scales. Second, *ex post*, we use multiple performance measures based on nonparametric scaling and principal component analysis. These are combined with direct binary measures based on information with varying degrees of objectivity, thus allowing for triangulation via various types of information. For the M&A status variables we apply two definitions with an increasing level of stringency. As a robustness check we perform multivariate (regression) analysis where the conditional effects are fully consistent with our mean comparison analysis. Collectively, these approaches should avoid CMV bias problems impacting on our results.

Our data cover all private companies available in CRANET from 32 countries located in Europe, North America, Australia, the Pacific, Asia, and Africa. The total number of observations (firms) per country range between 80 and 500. We also create homogenous country subsets to encompass OECD, EU, emerging and transition economies, and only foreign subsidiaries samples to test our hypotheses while controlling for institutional and market differences.

The main (dependent) variable of interest is firm performance (PERF) measured as a composite index comprised of five partial measures reflecting managers' perceptions of: service quality, level of productivity, profitability, rate of innovation, and stock market performance. Each partial measure is an ordinal categorical variable with three levels. We apply Mokken's nonparametric scaling approach to produce our synthetic performance measure (Mokken and Lewis, 1982). The unweighted sum of item scores must be monotonously related to the latent true scores (Sjitsma et al., 1990). This implies that Mokken's model provides estimates of the scale scores only at ordinal level. The primary scaling criterion is Loevinger's H-coefficient of homogeneity. A set of items constitute a scale if the total scale has an H-value exceeding 0.30. Values above 0.50 indicate strong scales. Our PERF scale has an H-coefficient of 0.54. The internal consistency of the scales is verified by Cronbach's Alpha; our PERF scale has an Alpha of 0.86. Details of the items included in the performance scale, results of the scaling procedure, and reliability analysis are available from the authors.

As an alternative performance measure and robustness check we create a synthetic index (PCMP) by principal component analysis (see e.g., Jolliffe, 2002), performed on the correlation matrix of the five, equally scaled, partial measures used in our Mokken's nonparametric scaling approach. We estimate the score of the principal component with the highest eigenvalue of the correlation matrix. Within the five performance measures, the predictive power of the estimated principal component alone is quite high, at around 0.50.

We also test outcomes with the original (single) categorical performance variables available in the data and comprising the previous composite performance measures converted into dummy variables with 1 indicating performance in the upper half of the distribution and 0 otherwise. We focus on three partial measures: level of productivity (PROD), profitability (PROF1), and stock market performance (MRKT). We also use further information on internal relative performance in terms of gross revenue minus cost - another measure of profitability (PROF2).

We use as control (explanatory) variables firm size, defined as the logarithm of the total number of employees (SIZE) and business cycle, measured by a three-level ordinal scale indicating whether the firm's market is declining, steady or growing (BCYC). Also, fifteen industry dummy variables based on an industry classification which consists of sixteen categories ranging from agriculture, forestry and fishing, manufacturing, and retail to social services and public administration are included in all regressions. Thirty-one country dummy variables are also included in all regressions to control for country institutional and market differences in the total estimated sample.

The M&A status indicators are the explanatory variables of main interest. These are defined as dummy variables taking a value of 1 if a firm has been involved in any of the following activities (and 0 otherwise):

- Firm has acquired another organisation in the last 3 years (ACQU)
- Firm has been involved in merger with another organisation in the last 3 years (MERG)

- Firm has been taken over by another organisation in the last 3 years (TAKE)
- Firm has been involved in demerger from another organisation in the last 3 years (DMER)

We apply two definitions of the status variables by level of strictness and thus generate two sets of results. The first definition (Def1) allows that firms can be involved in more than one type of M&A activity in the three years prior to data collection while the second, exclusive, definition (Def2) requires that a firm is only involved in one type of M&A activity. In the analysis below we define the M&A variables on the basis of Def2; the results from Def1 are similar and available from the authors. Summary statistics of all main dependent and explanatory variables used in the regressions that follow are reported in Table I.

[Insert Table I about here]

Estimation Results

Following the structure of firm activities in M&A contexts outlined in Chart I, we test our hypotheses first, by mean comparisons (summary statistics) and then within a linear regression (OLS) framework. The mean comparisons are presented in Table II. The significance of the mean difference for each pair of variables is confirmed by a t-test. In all comparisons the tests are significant at 10% level or better for all performance measures. The advantage of this simple testing strategy is that the results are likely to be robust to CMV bias.

[Insert Table II about here]

The results in the first panel of Table II show that the means for the performance indices and each of the single performance measures are significantly higher for GRUP1, denoting firms for which ACQU=1 or TAKE=1 or MERG=1, than for GRUP2, denoting firms which have not been involved in M&A activities. This supports our first hypothesis, H1. The results in the second panel of Table II indicate that perception of performance for acquiring firms are significantly better than that for acquired firms and hence lend support to H2.

H3 anticipated that perceived firm performance will be worse in firms involved in a demerger compared with firms that have not. The findings reported in the bottom panel of Table II confirm H3. The means of both the composite performance index (PERF) and the synthetic performance index (PCMP) as well as of each single performance measures are significantly greater for those firms uninvolved in a demerger. We also tested mean differences against GRUP2 set of firms and the results were very similar to those reported in the bottom panel of Table II.

Next, we test our hypotheses within an OLS regression framework. All specifications pass the standard tests for no heteroskedasticity of the error terms and no serial correlation. Further indirect evidence of no serious endogeneity problems is that when introducing explanatory variables one by one in the estimated specifications the coefficients remain stable. We recognise that the step-wise inclusion is primarily a test of multicollinearity. However, considering that endogeneity problems are associated with the presence of a non-zero mean error term, the step-wise inclusion test is indicative of such a problem. In the specifications we add reporter, firm, and industry controls besides the country dummies which, to a degree, should remedy endogeneity problems due to omitted variables. Moreover, to address endogeneity concerns due to reverse causality and/or omitted variables we further conducted a series of robustness analyses, including propensity score matching of firms involved in M&A activities with uninvolved firms and estimations on a homogeneous subsample.

The results from the main regression analysis where the dependent variable is PERF are reported in Table III. All specifications include firm size, business cycle, industry, and country controls. All coefficients of the control variables remain very similar across all estimated specifications.

[Insert Table III about here]

Following our hypothesis testing strategy outlined above and in Chart I, in column (1) we present a specification containing the aggregate indicator of M&A activities, GRUP1, and in column (2) a specification with DMER, indicating demerger activities. These two specifications represent tests of H1 and H3 respectively. The positive and statistically significant coefficient of GRUP1 supports H1, while the negative and statistically significant coefficient of DMER supports H3. In column (3) we present a specification with both GRUP1 and DMER included. The specification in column (3) provides a further and more stringent test of H1, against the counterfactual of firms uninvolved in any M&A activity, including demergers. Again, the positive and statistically significant coefficient of GRUP1 confirms H1. Furthermore, column (3) represents also a test of H3 against the decomposed counterfactual of firms uninvolved in demergers which consists of firms only involved in M&A activities and firms completely uninvolved. The negative and statistically significant coefficient of DMER provides further support to H3.

In the next two columns of Table III, (4) and (5), we test H2. Using the sample comprised only of firms involved in M&A activities, in column (4) we estimate a specification with TAKE as main explanatory variable. The counterfactual consists of firms involved in M&As. The negative and statistically significant coefficient of TAKE provides support for H2. The extended specification in column (5) where MERG is added to TAKE provides for a further and more precise test of H2. In column (5) the counterfactual consists of only firms that have been involved in acquisitions (ACQU). The fact that the coefficient of TAKE remains negative and statistically significant lends support to H2.

We verify our findings in Table III by further running regressions with the same specifications but with five other dependent variables, PCMP, PROD, PROF1, MRKT, and PROF2. Importantly, the findings from all five sets of regressions are consistent with our results reported in Table III and provide further support for our three hypotheses. These estimation results are available from the authors.

Further Robustness Analysis

We undertook several further robustness checks. First, to ensure that CMV bias does not seriously affect the mean comparisons (Table II) we de-mean each performance measure and calculate an alternative set of comparison results. The rankings of performance measures are identical to those reported in the paper. Second, running OLS regressions as specified in Table III on subsamples formed by only OECD or EU countries shows the same links between the dependent and independent variables as reported above. We also ran our regressions on a sample containing only MNC subsidiaries and again the results obtained confirm the results reported in the paper. Thus, our findings are confirmed by results from homogeneous subsamples in terms of institutional influences. Third, including controls for responding managers' backgrounds (gender, education, specialisation, and length of service in the firm) does not change the results reported, suggesting the absence of endogeneity and CMV biases. Fourth, we also performed both univariate summary statistics and the multivariate regression analyses on carefully matched samples of firms involved in M&A activity (including demergers) and firms uninvolved in any M&As. It is likely that out of the whole population of firms those involved in M&As have special features (Egger and Hahn, 2010; Arvanitis and Stucki, 2015). Therefore, matching them with seemingly similar firms uninvolved in M&As is important for identifying differences in performance derived purely from M&A activities. We matched the samples by firm size and age within main industries and countries which produced a total matched sample of 63% of the original. The results from the matched sample are very similar to those reported and are even more statistically significant. All robustness check results discussed above are available from the authors.

Finally, we extended the specifications from Table III with an index of employment regulation (LABR) instead of the country dummy set and report the results in Table IV. The index used is taken from Aghion et al. (2010) which fits our period of analysis and is an updated version of the Botero et al. (2004) index. The specifications in Table IV also include interaction terms of LABR with the M&A indicators to test for any moderating effect of employment laws on performance in M&A context. The findings from Table IV are very similar to those from Table III. Results in Table IV suggest that employment regulations themselves have positive and significant effect on performance in general, but they do not moderate significantly the effects of M&As and demergers on performance in the full sample of firms (columns 1 and 2). When we look into the sample of M&A firms, we find evidence of moderating effects of employment laws on firms involved in mergers and on acquired firms (relative to the acquiring firms). The more rigid labour laws (higher values of the LABR index) seem to support performance in acquirers but reduce performance in the case of firms subject to a takeover. Clearly different restructuring needs are prioritised in the cases of firms involved in mergers and the acquired ones.

[Insert Table IV about here]

4 Supportive Qualitative Analyses

Our results demonstrated that managers' perceptions of firm performance were better in firms involved in M&As compared to firms not involved (H1). Moreover, managers perceived better performance in acquiring firms compared with managers in acquired firms (H2) and finally, managers perceived worse performance in firms involved in demerger (H3). We based our explanations on the grounds that managers and employees in acquired firms have more resources to cope with uncertainty and change. Moreover, as they are free to voice their suggestions and implement new policies, they are likely to feel equipped with power, confidence, hope and optimism, all of which reflect individual resilience and are tied to both organizational resilience and better firm performance. Thus, in order to reflect on the individual – psychological dimension of organisational resilience, to provide a more nuanced and accurate picture and link it back to organisational resilience and firm performance, we carried out additional analyses in the form of semi structured, in-depth interviews from managers employed in an acquiring firm (Firm A), in an acquired firm (Firm B) and in a demerger (Firm C) in Istanbul, Turkey. A total of three interviews were carried out in Turkish, on the site and lasted between 1 - 2 hours. Notes were taken during these interviews which were then translated back to English. The participating firms are not related with each other (e.g., they are not parties to an M&A nor do business with each other). Details regarding their structure and questions used in the interviews are provided in the Appendix.

Following the analyses of interviews, key themes emerged regarding the resilience of employees at individual level and how it linked to organizational resilience and firm performance (from the perspective of managers and their direct reports). Below, we briefly discuss the findings in thematic terms, following the order of our questions.

Experiences and expectations following the M&A and demerger. Managers in the acquiring firm perceived the merger as an opportunity to build power and enhance their careers: “I was excited about the merger…I knew I will have more resources (e.g., money, autonomy), better team and more employees to achieve our goals”. The manager also expected the sales and profitability to grow, because merger was expected to create synergy while encouraging all employees to work towards a common goal: “I was able to set more challenging goals for my team because we grew in size and everybody was expected to contribute to this exciting era of growth”. On the contrary, the expectations and experiences of managers in the acquired and demerged firm were completely opposite to those of the acquiring firm, reflecting pessimism, lack of trust in the firm and in the future. The manager respondent from the acquired firm stated that there was chaos, and lack of information regarding the current and future situation: “I had no idea whether I was going to keep my job and work with the same people as a manager...It took almost one year for the merger to finalize and during this process, I was not informed about the process and the potential consequences of the merger for employees working in my team”. The manager from the demerged firm pointed to similar aspects (i.e., lack of information clarity, resources and direction for the future).

Emotions and expectations following the M&A or demerger. Findings from the interviews underscored a sharp divide between the emotions and expectations from the acquiring firm versus others (i.e., acquired and demerged firm). The manager from the acquiring firm mainly expressed positive emotions including excitement, happiness, optimism and eagerness. The manager from the acquiring firm said, “I am very excited about this opportunity… and look forward to what the future will bring.” In contrast the manager in the acquired firm expressed negative emotions including anxiety, stress and emotions about the uncertainty, stating “I feel stressed because I do not know whether I will still be employed here in two years’ time.” The manager from the demerged firm reported “There is uncertainty…this makes me feel stressed and mostly unhappy. I feel like I am tied here, I have been working for this company for decades and now if I lose my job, I can't find a new job easily… I feel like I am unemployable".

Change in job autonomy and responsibilities following the M&A and demerger. Managers experienced differing levels of job characteristics. Increase in the perceived control of their everyday tasks, increased decision-making latitude and more resources were characteristics described by managers in the acquiring firm: "The scope of my job expanded, I was given more resources because I was asked to manage more people in my team…I had to decide on a wide range of topics (e.g., finance, sales), but I liked it". Contrary to these experiences, managers of the acquired and demerged firm asserted that the content of their jobs contracted, leading to perceptions of less control over their everyday jobs. "I was asked to manage fewer people...I realized that I could not decide on key issues anymore, someone else was responsible for it. I felt like my job was taken away from me" the manager from the acquired firm stated. Similar sentiments were mentioned by the manager from the demerged firm, "loss of control" and "uncertainty about the future of their jobs" were commonly raised as major changes experienced following M&A and demerger. One common cause of uncertainty and negative emotions expressed by the managers from M&A and demerger was layoffs; employees from across all divisions in the acquired and demerged firms lost their jobs. Furthermore, no explanation was provided as to whether layoffs would occur and for how long the layoff process would last.

Learning, growth and developmental opportunities. It is evident from the findings above that M&A was seen as an opportunity for growth, development, and advancement by the manager in the acquiring firm. Interestingly, the manager linked these opportunities to firm performance: "I believe I learnt a lot in this process; I assumed new responsibilities, managed new people and expanded my business line, brought in more revenues. All of these are achievements that are good for the growth and profitability of the firm". Managers from the acquired and demerged firm expressed negative emotions and experiences and these were mainly due to the perceptions of loss of control, lack and loss of responsibility of their everyday jobs and the fear associated with the loss of their jobs in the future. The manager from the demerged company pointed out “Layoffs, cuts in salaries, less responsibility…this has become a very uncertain work environment…I can’t think of career growth or development opportunities here anymore, it is not my priority…my priority is to keep my job, it is more important”.

The themes that emerged from our interviews provided further support for our hypotheses while underscoring the significant role of individual-level resilience as an explanatory mechanism that links managerial perceptions of M&A and demerger to firm performance.

5 Discussion and Conclusion

Theoretical Contributions

Organisational expansion and successful assimilation may enhance resilience, hence, firms engaging in M&As may have higher levels of psychological well-being and better performance (Carmeli and Markman, 2011; Carmeli et al., 2009; Fredrickson, 2001), which appears confirmed by support for H1. The positive view of M&As’ effects on performance may reflect objective realities. As Brewster et al. (2006) suggest, larger firms may reap bureaucratic economies of scale, making for proportionate cost savings. Similarly, larger firms are likely to have greater resources at their disposal, which in turn, may enhance their possibilities for resilience-promoting policies and practices (c.f. Somers, 2009) and performance (c.f. Bernile et al., 2012).

In obtaining support for H2, we found that managers in acquiring firms are likely to see the firm as performing better than those in target firms. This finding is also supported by our in-depth interviews. Managers in the acquiring firm exhibit a wide range of positive emotions, experiences and expectations about the consequences of M&A and see this as an opportunity for self-development and career growth (e.g., Huang and Luthans, 2015). This finding contrasts with a large body of earlier work which suggests that, for acquiring firms, M&As are at best break-even situations. They have been argued at worst to be failures, with target firms capturing most of the gains (Ahern, 2012). However, if resilience reflects an ability to cope with shocks, then those in an acquired firm will cope worse than those in the acquirer firm (Meyer et al., 1999). In the former, existing relations will be challenged, undermining resilience (Carmelli et al., 2013). Not only will managers in acquired firms be less able to express their concerns and hence be less resilient, but post M&A downsizing is likely to be worse than in the acquirer firm. This will lead to greater pessimism, reduced job and emotional satisfaction, and hence, poorer performance (Paustian-Underdahl et al., 2017; Stephens et al., 2013). Further, within the acquired firm, relational connections may be undermined, weakening adaptive capabilities (Carmeli et al., 2013). In contrast, within the acquirer firm, the circumstances for resilience are likely to be more favourable, leading to greater optimism and more positive outcomes (Meyer et al., 1999). Indeed, studies on individual level resilience lend support to our finding, showing that change at organizational level leads employees to feel positive and hopeful of the future because change brings new opportunities (Huang and Luthans, 2015), new ways of carrying out their tasks (Petrou et al., 2018) and new opportunities that drive not only individual level performance but also contribute to the performance of the firm going through the change (Petrou et al., 2018; Salanova and Llorens, 2011).

Nonetheless, our data show that managers of acquired firms still believe that their organization has performed -as a result of the M&A- at least as well as firms which had not been subject to such an event. This suggests that managers, in judging performance, bring to bear both personal perceptions of well-being, and more objective issues, encompassing the real benefits that can flow from greater economies of scale and capabilities (Brewster et al., 2006).

In contrast, perceived performance was worse in firms where demergers had occurred, supporting H3. It may be objected that demerger does not indicate strategic failure but may instead signal profit-taking following successful restructuring and the reversal of excessive empire building (Kaplan and Weisbach, 1992), or organisational and resource reconfiguration because of changed environmental circumstances (Capron et al., 2001). However, demerger does represent a radical move. Although a large body of literature suggests that radical responses to crisis work better than incremental ones (Capron et al., 2001), this study suggests that incremental responses enhances resilience, and hence, better equip employees to cope with quotidian challenges. Growth may also result in internal shocks, but the ability to impose a coherent governance structure on the merged entity (c.f. Carmeli et al., 2009) may build overall resilience to a superior level than that in firms that have not been subject to an M&A, even if staff in an acquired firm are more challenged than those in an acquiring one. Positivity among staff is closely related to performance (Alessandri et al., 2012; West et al., 2009); as demergers are likely to be traumatic, this will have long lasting effects on post-merger performance.

Our analysis shows that the difference in perceptions of performance does not vary significantly by firm location (i.e., in comparing responses from different country/regions of respondents), or by industrial sector. It therefore appears that the performance consequences of M&As and demergers reflect governance and relative organizational efficiencies, rather than contexts. This would suggest that far reaching changes in ownership and structure will have broad consequences regardless of setting. Such events test the resilience of staff, with those in positions of greater power (managers of the acquiring firm) being better equipped to cope with them. Nevertheless, further research comparing the perceptions of managers from different national and institutional contexts as indicated by our robustness analyses results could provide detail on the importance and implications of dominant institutional configurations such as employment laws. We found that employment protection legislation did have some impact, but that effects were mixed: strictness of employment law resulted in better performance outcomes in the case of acquirers, but worse in the case of the acquired firm. This might suggest that on the one hand, it may restrain acquirers from over-hasty action until they have time to accurately cost the worth of the target's human capital. However, within acquired firms, it may make it harder to realise the bureaucratic economies of scale that might come from belonging to a bigger entity. Similarly, further industry/sector studies would be useful.

Combining the findings from the quantitative and qualitative data, this study highlights the importance of the psychological dimension of resilience at the individual level (Salanova and Llorens, 2011), and the ability of managers to be resilient in the face of structural changes in ownership and control (Petrou et al., 2018). Indeed, it seems that the psychological effects of M&As may be so great as to over-ride sectoral and institutional ones. We found that firms that coped better were those where managers felt more in control of the process, i.e., the acquirer. It seems that demergers were a traumatic process, in contrast to incremental adjustments to practices. In other words, what the study adds to the existing literature is that resilience is bound up with ownership and control, and the relative ability of managers to shape their own destinies. The study confirms the earlier literature on the role of optimism – mergers are entered into with high hopes – that will carry over into the post-merger period, making for greater resilience in coping with the unexpected (Shin et al., 2012; Van Dam et al., 2008). Conversely, those in acquired firms may feel a loss of control, of grief as a result of post-merger downsizing, and hence be less resilient (Buono and Bowditch, 1989; Seo and Hill, 2005; Stephens et al., 2013). Finally, those in firms subject to demergers may similarly experience a loss of resilience in the face of a large traumatic adjustment (c.f. ibid); those subject to smaller ongoing adjustments may become more resilient over time. What links these together is that particular orientations and associated narratives dominate at specific times; these are essential in sustaining organizations and when they are disrupted, so is resilience at individual and organizational level. The recent socio-economic literature has highlighted the importance of narrative and anticipation in moulding firm trajectories, and the extent to which specific narratives may be sustained or remoulded by changes in firm ownership (Beckert, 2016). Taking account of this may help shed light as to why contextual effects may be more important in some areas of organizational life, and psychological effects in others. Future studies might usefully consider and confirm the role of individual resilience and how it links to organizational resilience and firm performance empirically.

At a broader theoretical level, the study highlights the relationship between M&As, demergers, and performance. There are material dimensions to performance outcomes as a result of mergers and demergers, for example, in terms of ability to attain economies of scale. However, the latter may vary somewhat according to sector, and we found these effects were general. Also, we found that these effects did not vary according to location. This is in contrast to a number of earlier studies using the CRANET data to examine other aspects of HRM, which found strong regional effects. Strictness of employment protection had an effect, but these varied according to whether the organization was an acquirer or acquired; contrary to claims by proponents of labour market deregulation, it did not necessarily make for sub-optimal performance.

Managerial Implications

M&As bring with them a new set of risks and uncertainties. However, successful capture and governance strategies may be associated with greater resilience and performance (Carmeli et al., 2009). Conversely, demerging is a risky process, and the study's findings suggest that incremental alternatives for dealing with crisis may be better in fostering resilience, and hence, longer term coping abilities. Lower levels of resilience in the acquired firm than in the acquiring firm appears to have negative performance consequences. This would suggest that post M&A integration is more likely to be successful if the burden of adjustment is more equally shared than is common practice. Indeed, as a key element of stronghold base tactic (Carmeli and Markman, 2011), following the M&A, managers in the acquired firm should facilitate flattened hierarchies, push decision-making authority downward, thus improving the ability of the acquired firms to cope with uncertainty and disorder that come with the M&A. Managers need to take into account the resource-capability mixes of the core competencies of both the acquiring firm and acquired firm in restructuring the operations and the assets (Carmeli and Schaubroeck, 2008).

At the individual level, a key element of implementing stronghold base tactic successfully lies in managers' ability of keeping their employees engaged, informed and motivated during the fluidity of M&A. Resilience in the acquired firm can be improved by involving employees in the change process through the provision of timely and accurate information, and opportunities for participation in the planning and implementation of the change (Van Dam et al., 2008). Managers should encourage extensive communication and participation to all employees and foster a climate of trust to receive cooperation and support from employees (Huang and Luthans, 2015). Managers who are successful in facilitating communication, employee involvement, teamwork, and training and development would have a positive effect on employee behaviour and their identification with the newly formed organisation (Vasilaki et al., 2016). Thus, in line with previous research on employee resilience, our findings suggest that organisational resilience is fostered in work contexts that are characterized by close and supportive relationships between managers and subordinates, and a culture that encourages continuous support and developmental opportunities (Van Dam et al., 2008).

Finally, this study highlights the importance of the human dimension and the impact of accumulated human capabilities, and the extent to which this impacts on both resilience and capacity for innovation. This confirms the centrality of HRM practices to the success of mergers, and the need to take account of the internal and wider contextual dimensions of culture on both the relative complexity and potential outcomes of M&As (Antila and Kakkonen, 2008; Weber et al., 2012; Sarala et al., 2016).

Limitations

As with any study of this nature, there are a number of limitations. Firstly, there is a risk of common method variance bias, which we have attempted to minimise as specified above. Secondly, any managerial reported data is necessarily subjective, albeit that recent research has indicated that it typically yields broadly accurate results (Singh et al., 2016). As noted above, the role of HR managers is critical in helping secure success in mergers. This suggests that the relevant involvement by, and how, such managers view the process would represent an important measure of success (Antila and Kakkonen, 2008). Moreover, formal accounting data is not always an accurate measure. As Bens et al. (2012) note, managers may adjust their financial reporting when they are under intense pressure to deliver success after an M&A.

As with any comparative research founded on individual perceptions, there is the challenge of reproducibility. However, previous work comparing other sub-findings of different waves of the CRANET survey revealed strong continuities within different sub-categories of respondent despite being non-panel data. This would suggest a basic degree of reproducibility, as well as, potentially, path dependence. As Weber et al. (2012) note, M&As

across national boundaries impart a further dimension of complexity, and more detailed comparisons of relative merger performance between MNEs and other firms would represent fertile ground for future research. Finally, we have insufficient evidence as to whether managers of acquiring organizations reported superior performance to justify empire building or were accurately reporting real gains. However, whilst there is no consensus within the literature on the accuracy of managerially reported organizational performance data, evidence exists to suggest that it is often not far removed from real organizational outcomes (Dess and Robinson, 1984; Tzafrir, 2005). Nonetheless, even if inaccurate, it appears that managerial perceptions of performance are more than simply a reflection of a desire to realize personal agendas.

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Figure I Conceptual Model

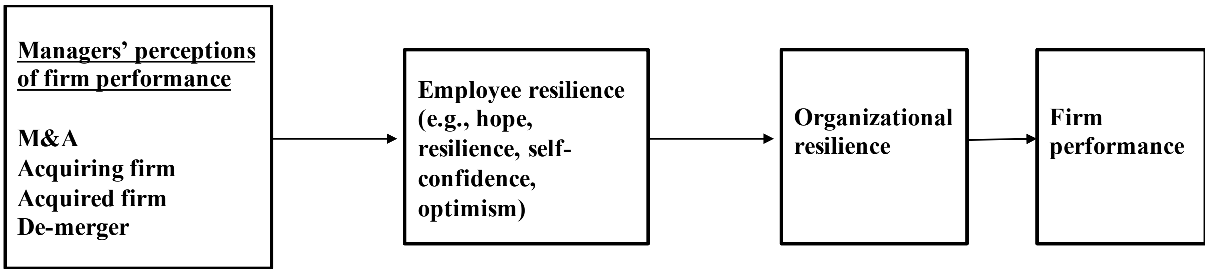

Chart I Categories of firms and hypotheses

<table>
<tr><td>Categories of firms</td><td>Group</td><td>Categories of firms</td><td>Group</td></tr>
<tr><td rowspan="2">Firms involved in M&A activities</td><td rowspan="2">1</td><td>Acquiring firms</td><td>4</td></tr>
<tr><td>Acquired firms</td><td>5</td></tr>
<tr><td>Firms involved in demergers</td><td>2</td><td colspan="2" rowspan="2"></td></tr>
<tr><td>Firms not involved in M&As or demergers</td><td>3</td></tr>
<tr><td colspan="4">Hypotheses</td></tr>
<tr><td colspan="4">H1: Managers' perceptions of firm performance will be better in firms involved in M&As compared with those managers in firms not involved in such activity,
i.e., Performance of Group 1 compared with performance of Group 3.</td></tr>
<tr><td colspan="4">H2: Managers will perceive better performance in acquiring organisations compared with managers in acquired firms,
i.e., Performance of Group 4 compared with performance of Group 5.</td></tr>
<tr><td colspan="4">H3: Managers will perceive worse performance in firms that have been involved in a demerger compared with managers in firms that have not,
i.e., Performance of Group 2 compared with performance of Group 3.</td></tr>
</table>

Table I Summary statistics of main regression variables

Variable	Definition	Mean (SD)
PERF	Performance composite scale (from Mokken Scaling Analysis) ranging between 1 and 15	9.57 (2.78)
PCMP	Performance synthetic scale (from Principal Component Analysis)	5.04 (1.49)
PROD	Productivity – a dummy variable which is 1 if the firm is in the upper half of the productivity distribution and 0 otherwise	0.87 (0.33)
PROF1	Profitability - a dummy variable which is 1 if the firm is in the upper half of the profit distribution and 0 otherwise	0.76 (0.43)
MRKT	Stock market performance - a dummy variable which is 1 if the firm is in the upper half of the stock market returns distribution and 0 otherwise	0.31 (0.46)
PROF2	Profitability scale ranging between 1 and 5	4.03 (1.06)
ACQU	Dummy variable which is 1 if the firm has acquired another organisation in the last 3 years and 0 otherwise	0.25 (0.43)
MERG	Dummy variable which is 1 if the firm has merged with another organisation in the last 3 years and 0 otherwise	0.05 (0.23)
TAKE	Dummy variable which is 1 if the firm has been taken over by another organisation in the last 3 years and 0 otherwise	0.07 (0.25)
DMER	Dummy variable which is 1 if the firm has demerged from another organisation in the last 3 years and 0 otherwise	0.02 (0.14)
SIZE	Log of firm size (total labour force)	6.12 (1.31)
BCYC	Scale of business cycle conditions ranging between 1 and 3 (recession to expansion)	2.27 (0.75)

Notes: The number of observations used in regressions is 3613.

Table II Group-mean difference analysis

	PERF	PCMP	PROD	PROF1	MRKT	PROF2
H1						
GRUP1=1	9.83	5.16	0.88	0.78	0.37	4,14
(1502)	(2.76)	(1.47)	(0.32)	(0.41)	(0.48)	(1.01)
GRUP2=1	9.39	4.96	0.87	0.74	0.28	3.99
(2542)	(2.81)	(1.51)	(0.34)	(0.44)	(0.45)	(1.05)
t-value	4.82	4.04	1.81	3.30	5.73	4.42
(Pr(|T|>|t|))	(0.000)	(0.000)	(0.070)	(0.001)	(0.000)	(0.000)
H2						
ACQU=1	10.11	5.29	0.90	0.82	0.42	4.25
(990)	(2.71)	(1.44)	(0.31)	(0.38)	(0.49)	(0.93)
TAKE=1	9.04	4.79	0.86	0.69	0.24	3.89
(291)	(2.56)	(1.41)	(0.35)	(0.46)	(0.43)	(1.11)
t-value	6.15	5.30	1.64	4.35	5.93	5.04
(Pr(|T|>|t|))	(0.000)	(0.000)	(0.010)	(0.000)	(0.000)	(0.000)
H3						
DMER=1	8.12	4.22	0.74	0.53	0.21	3.47
(85)	(2.42)	(1.30)	(0.44)	(0.50)	(0.41)	(1.24)
DMER=0	9.58	4.98	0.88	0.74	0.29	4.01
(4044)	(2.80)	(1.50)	(0.33)	(0.43)	(0.47)	(1.03)
t-value	5.49	5.35	2.68	3.92	1.64	3.98
(Pr(|T|>|t|))	(0.000)	(0.000)	(0.008)	(0.000)	(0.010)	(0.000)

Note: Mean and standard deviation (in parentheses) are reported for each variable; the number of observations is reported in parentheses under each category. The t-value reported is for testing the hypothesis Ha: mean difference ≠ 0; underneath in parentheses the p-values are reported. GRUP1 denotes firms which have been involved in M&A activities: ACQU=1 or TAKE=1 or MERG=1; GRUP2 denotes firms which have not been involved in M&A activities and demergers: ACQU=0 and TAKE=0 and MERG=0 and DMER=0.

Table III Regression analysis with PERF

Variables	(1)	(2)	(3)	(4)	(5)
GRUP1	0.34***		0.31***	-	-
	(0.09)		(0.09)		
MERG	-		-	-	-0.43**
					(0.21)
TAKE	-		-	-0.57***	-0.60***
				(0.19)	(0.19)
DMER	-	-1.28***	-1.16***	-	-
		(0.031)	(0.31)		
SIZE	0.36***	0.38***	0.36***	0.40***	0.40***
	(0.03)	(0.03)	(0.03)	(0.06)	(0.06)
BCYC	0.61***	0.61***	0.61***	0.62***	0.61***
	(0.06)	(0.06)	(0.06)	(0.10)	(0.10)
Industry	Yes	Yes	Yes	Yes	Yes
Country	Yes	Yes	Yes	Yes	Yes
No of Obs.	3613	3613	3613	1335	1335
Adj. R^2	0.17	0.17	0.18	0.20	0.21

Notes: Statistical significance: ** 5%, *** 1%. GRUP1 denotes firms involved in M&A activities: ACQU=1 or TAKE=1 or MERG=1. Fifteen industry dummy variables based on an industry classification, which consists of sixteen categories, are included in all regressions. Thirty-one country dummy variables are also included in all regressions to control for country differences in the total sample, containing 32 countries.

Table IV Regression analysis with PERF and institutions control

Variables	(1)	(2)	(3)	(4)	(5)
GRUP1	0.38**		0.35**	-	-
	(0.17)		(0.17)		
GRUP1* LABR	0.40		0.45		
	(0.52)		(0.52)		
MERG	-		-	-	-0.99**
					(0.41)
MERG* LABR					1.94**
					(0.95)
TAKE	-		-	-0.34**	-0.29**
				(0.15)	(0.14)
TAKE* LABR				-2.09**	-1.85**
				(1.05)	(0.94)
DMER	-	-1.27***	-1.13***	-	-
		(0.041)	(0.42)		
DMER* LABR		-0.85	-1.04		
		(1.08)	(1.09)		
LABR	0.76**	0.62**	0.62**	0.73**	0.50**
	(0.32)	(0.25)	(0.30)	(0.35)	(0.26)
SIZE	0.26***	0.27***	0.26***	0.32***	0.32***
	(0.03)	(0.03)	(0.03)	(0.06)	(0.06)
BCYC	0.72***	0.72***	0.72***	0.68***	0.67***
	(0.06)	(0.06)	(0.06)	(0.10)	(0.10)
Industry	Yes	Yes	Yes	Yes	Yes
No of Obs.	3613	3613	3613	1335	1335
Adj. R^2	0.18	0.18	0.18	0.20	0.21

Notes: Statistical significance: ** 5%, *** 1%. GRUP1 denotes firms involved in M&A activities: ACQU=1 or TAKE=1 or MERG=1. Fifteen industry dummy variables based on an industry classification, which consists of sixteen categories, are included in all regressions. Thirty-one country dummy variables are also included in all regressions to control for country differences in the total sample, containing 32 countries.

Appendix

Case Companies

Pseudo names are used for companies.

Kerkes (Acquired Company)

Kerkes is a manufacturing company operating in Istanbul and has been one of the pioneers in its sector. Despite its unprecedented growth, family conflicts have always prevented the company from going global. The 2001 economic crisis caused major disruptions for the firm: In the following years, its sales revenues decreased by 85%. Agreements with banks and hard work enabled the firm to survive for two years, and the firm began to grow quickly and achieved considerable revenues in the mid-2000s. Kerkes then engaged in a series of activities aimed at expanding its international presence globally. During this period, by producing in several central European countries, Kerkes sold its products to almost one hundred countries. The company became one of the ten biggest producers in the world in its sector. In 2006, financial crises in global markets affected the operations of Kerkes negatively. In addition, family conflicts also increased with members suing each other. This led to the appointment of trustees. In 2010, following on-going discussions and bids; the firm was acquired by one of the biggest firms in the sector.

Phoenix (Acquiring Company)

Spanning over thirty years of operation in Turkey, Phoenix, a family-owned company, manufactures and sells outdoor sporting equipment and clothes in Turkey. To begin with, the company only imported these to sell in the local market. Due to increased import costs and financial crises (2001 and 2006), the company began manufacturing its own branded products at the beginning of the 2000s. Although until recently they operated their own retail stores, they currently utilize a retail network which enables them to export to countries in the Middle and Far Eastern markets. Their core management team is made up of family members. Their core philosophy is to grow locally first and strengthen their international presence and name globally by employing talented employees. To realize this goal, the company constantly seeks to expand its operations via acquiring small and promising local companies. In 2015, the company acquired a local sports-equipment producer firm, enabling Phoenix to expand its local production, sales and marketing capacity.

Aston (Demerger Company)

Aston was one of the biggest conglomerate companies in Turkey, operating since the 1930s. Its production and operations included various sectors such as telecommunications, tourism, infrastructure and construction industries, to name a few (the most revenue generating operations of the company). The company is government funded (the majority of shares are owned by the Turkish government) and has been very proactive in recruiting the best talent and employees from the major cities in Turkey (i.e., namely Istanbul and Izmir). Until recently, the company was selected as one of the most preferred places MBA graduates liked to work for. However, since 2016, the operations of the company has faced major disruptions and unexpected pressures. The pioneering and most revenue generating sector of the company, telecommunications, faced increasing competition and led to the dissolution of the conglomerate. The company could not cope with the competition and had to split off its telecommunications branch in order to provide a better service to its clients. This was followed by splitting of the conglomerate into three companies to carry out its operations in tourism, infrastructure and construction industries, respectively. In 2017, Aston implemented a major downsizing project across all of its companies due to increasing fears of uncertainty, financial crises and the political pressure from the government.

Semi-Structured In-Depth Interview Questions

Managers and Employees

- Can you tell me briefly about your expectations and experiences following M&A / demerger?
- How did you feel? What were you expecting of the consequences?
- Regarding your job; did your job autonomy and responsibilities change (e.g., increased or decreased?) Did you receive any support from the organization?
- Regarding the structure of the organization; were there layoffs? If so, how did you cope with this situation?
- Do you see M&A / demerger as an opportunity for learning, self-development and career growth; or as a threat and challenge to job security and career advancement?